



BUDGET ANALYSIS 2013

Direct Taxes

CA Sanjeev Kumar Singhal

www.skaca.in. email: sanjeev.singhal@skaca.in

Highlights of Budget, 2013

1. Rates of Income Tax

i. Rates of Tax :-

Rates of Income tax are same as laid down in Finance Act, 2012 for the purpose of computation of “advance tax”, “TDS” and charging of tax in certain cases.

ii. Surcharge on Income Tax:-

- Person other than co., whether resident or non-resident:-

Taxable Income/ Amount to be paid	Rate of Surcharge
Up to Rs. 1Cr.	Nil
More than Rs. 1Cr.	10%

Highlights of Budget, 2013

□ In case of Domestic Company:-

Taxable Income	Rate of Surcharge
Up to Rs. 1Cr.	Nil
More than Rs. 1Cr. To 10 Cr.	5%
Exceeding 10 Cr.	10%

□ In case of other companies other than Domestic Companies-

Taxable Income	Rate of Surcharge
Upto Rs. 1Cr.	Nil
Rs. 1Cr. To 10 Cr.	2%
Exceeding 10 Cr.	5%

iii. Education Cess & SHE Cess:-

Education Cess	2%
SHE Cess	1%

Highlights of Budget, 2013

2. Section-36: Commodities Transaction Tax

- ❑ **Definition:-** Taxable Commodities Transaction means a transaction of sale of commodity derivatives in respect of commodities, other than agricultural commodities, traded in recognised associations.
- ❑ **Applicability:-** w.e.f. 1.4.2013.
- ❑ **Taxability:-**

Taxable commodities transaction	Rate	Payable By
Sale of Commodity Derivative	0.01%	Seller

Highlights of Budget, 2013

3. **Section-115A: Taxation of Income by way of Royalty or Fees for technical services**
 - Amount payable to a Non-Resident
 - On account of Royalty or Fees for Technical Services
 - Is subject to income tax to be calculated @25% of Gross amount.
 - Applicable from 1.4.2013

Highlights of Budget, 2013

4. Section-32AC: Investment Allowance

Applicable to assessee , being company;

- ❑ Is engaged in the business of manufacture of an article or thing ; and
- ❑ who Invests in new plant & machinery more than Rs. 100Cr. during FY 1.4.2013 to 31.3.15 the assess shall be allowed :-
- ❖ Deduction of 15 % of aggregate amount of actual cost of new assets shall be allowed for FY 2013-14;
- ❖ 15% of aggregate amount of actual cost of new plant and machinery purchased and installed during FY 2014-15.

But new assets does not include the following :

- ❑ Any plant and machinery before its installation does not used by any person in India and abroad.
- ❑ Any plant and machinery installed in any office or residential premises including accommodation of guest house.
- ❑ Any office appliances including computer or computer software

Highlights of Budget, 2013

- ❑ Any Vehicle
- ❑ Ship or aircraft or
- ❑ Any plant and machinery the whole of the actual cost is allowed as deduction as depreciation or otherwise in computing the total income chargeable under the head “Profit or Loss from Business or Profession”
- ❑ Further proposed to restrict the transfer of asset for 5 years . However the restriction shall not be applied in case of amalgamation or demerger but shall apply to amalgamated company or demerged company.

Highlights of Budget, 2013

- **Section 80IA[Extention of sun set date for the power sector.**
- proposed to amend the above provisions so as to extend the terminal date by a further period of one year i.e. up to 31st March, 2014.
- 5. **Section-87: Relief**

Every Individual having total income up to Rs. 5,00,000 shall get a tax relief of Rs. 2,000.
- 6. **Section-80EE: Deduction for Intt. On Loan for acquiring residential House Property**
- Applicable to Individuals Only.
- Deduction is allowed in respect of Intt. on loan taken for acquisition of residential House Property.

Highlights of Budget, 2013

□ Conditions for the deduction:-

- ❖ Loan is sanctioned by Financial Institution
- ❖ Amount of loan does not exceed Rs. 25 Lakhs
- ❖ Value of Residential House does not exceed Rs. 50 lakhs.
- ❖ Assessee does not own any other Residential Property on the date of sanction of loan.
- ❖ Maximum amount of deduction u/s 80EE is Rs. 1,00,000
- ❖ This deduction is in addition to the deduction allowed under Sec. 24.
- ❖ Applicable from FY 1.4.2013.

Highlights of Budget, 2013

7. **Section 10(10D)/ 80C: Eligible premium for Life Insurance Policies with disability or disease.**
- ❑ Premium payable for life insurance policies .
 - ❑ A person with disabilities referred to in Sec. 80U
 - ❑ Suffering from disease and ailment as specified in Sec. 80DDB.
 - ❑ Deduction u/s 80C/ Exemption u/s 10(10D) is allowed to the extent
 - ❑ Premium paid does not exceed 15% of the actual capital sum assured.
 - ❑ Applicable from 1.4.2013

Highlights of Budget, 2013

8. Section 80CCG:

- ❑ Deduction of 50% amount invested in such listed equity shares as notified in RGESS subject to maximum of Rs. 25000.
- ❑ Investment in listed unit of equity oriented fund shall also be included in the scheme.
- ❑ Deduction shall be allowed for 3 consecutive assessment years.
- ❑ Gross total income for the relevant A/Y does not exceed Rs. 12Lakhs of retail investor.
- ❑ Applicable from 1.4.2013

9. Section 80G:

- 100% deduction is allowed in respect of Donations made to National Children's fund.
- Applicable from 1.4.2013

Highlights of Budget, 2013

10. **Section 115-BBD:- lower rate of dividends from foreign company**
- ❑ Where the tax on dividends received from the foreign company in which there is shareholding of 26% or more.
 - ❑ Tax at the rate of 15% of such dividend.
 - ❑ Extended for one more year.
 - ❑ To the extent of such dividends,
 - ❑ Shall not be subject to DDT u/s 115-O.
 - ❑ Applicable from 1.4.2013.

Highlights of Budget, 2013

- **Section 115-o [Removal of cascading effect of DDT]**
 - ❑ Where dividend is received by domestic holding company from foreign company in which domestic company hold more than 50% share of the foreign company.
 - ❑ Dividend is received by domestic company from foreign subsidiary u/s 115BBD.
 - ❑ Dividend distributed by the holding company in the same year, to the extent of such dividends, shall not be subject to Dividend Distribution Tax under section 115-O of the Income-tax Act.
 - ❑ The amendment will take effect from 1.6.2013.

Highlights of Budget, 2013

- S.194LC -
 - ❑ where a non-resident deposits foreign currency in a designated bank account and such money as converted in rupees is utilised for subscription to a long-term infrastructure bond issue of an Indian company, then, for the purpose of this section, the borrowing by the company shall be deemed to be in foreign currency
 - ❑ The benefit of reduced rate of tax would, therefore, be available to such non-resident in respect of the interest income arising on such subscription subject to other conditions provided in the section.
 - ❑ The amendment will take effect from 1.6.2013.

Highlights of Budget, 2013

11. Securities Transaction Tax

S.N.	Nature of Transaction	Payable By	Existing Rate	Proposed Rate
1	Delivery based purchase of units of an equity oriented fund entered into in a recognised stock exchange	Purchaser	0.1%	Nil
2.	Delivery based sale of units of an equity oriented fund entered into in a recognised stock exchange	Seller	0.10%	0.001%
3.	Sale of a futures in securities	Seller	0.017%	0.01%
• 4.	Sale of a unit of an equity oriented fund to the mutual fund	Seller	0.25%	0.001%

Highlights of Budget, 2013

12. Section-194IA:

- ❑ Every Transferee, at the time of making payment or crediting any sum,
- ❑ As consideration for transfer of immovable property (other than agricultural land),
- ❑ To a resident transferor,
- ❑ Shall deduct tax at the rate of 1% of such sum.
- ❑ No deduction of tax under this provision shall be made where the total amount of consideration for the transfer of an immovable property is less than fifty lakh rupees.
- ❑ Applicable from 1.6.2013.

Highlights of Budget, 2013

- 13. Additional Income-tax on distributed income by company for buy-back of unlisted shares**
- ❑ The consideration paid by the company for purchase of its own unlisted shares which is in excess of the sum received by the company at the time of issue of such shares (distributed income) will be charged to tax
 - ❑ the company would be liable to pay additional income tax @ 20% of distributed income paid to the shareholders.
 - ❑ Such income is exempt in the hands of shareholders.
 - ❑ Applicable from 1.6.2013.

Highlights of Budget, 2013

14. Section-43CA:

- ❑ Consideration for the transfer of an asset (other than capital asset), being land or building or both, is less than the stamp duty value, such value (stamp duty value) is taken as full value of consideration under section 50C of the Income-tax Act
- ❑ That where the consideration for the transfer of an asset (other than capital asset), being land or building or both, is less than the stamp duty value, the value so adopted or assessed or assessable shall be deemed to be the full value of the consideration for the purposes of computing income under the head “Profits and gains of business of profession”. Where the consideration for transfer of an asset is received by any mode other than cash
- ❑ And where the date of agreement fixing the consideration and the registration date for such transfer are not same,
- ❑ The stamp duty value as on the date of the agreement for transfer may be taken. However, this exception shall apply only in those cases where amount of consideration or a part thereof for the transfer has been received by any mode other than cash on or before the date of the agreement.
- ❑ Applicable from 1.4.2013.

Highlights of Budget, 2013

- **S.56(2)(vii)-Taxability of immovable property received for inadequate consideration**
 - ❑ The existing provision does not cover a situation where the immovable property has been received by an individual or HUF for inadequate consideration
 - ❑ It is proposed to amend the provisions of clause (vii) of sub-section (2) of section 56 so as to provide that where any immovable property is received for a consideration which is less than the stamp duty value of the property by an amount exceeding fifty thousand rupees, the stamp duty value of such property as exceeds such consideration, shall be chargeable to tax in the hands of the individual or HUF as income from other sources.
 - ❑ And where the date of agreement fixing the consideration and the registration date for such transfer are not same,
 - ❑ The stamp duty value as on the date of the agreement for transfer may be taken. However, this exception shall apply only in those cases where amount of consideration or a part thereof for the transfer has been received by any mode other than cash on or before the date of the agreement.
 - ❑ Applicable from 1.4.2013.

Highlights of Budget, 2013

15 **General Anti avoidance Rules(GAAR)**

- ❑ Such rules shall be applicable from 1.4.2015.

16 **Section-115R:-Additional Income tax on income distributed by the specified company or mutual fund to its unit holders w.e.f. 1.6.2013**

S.N.	Transaction	Rate of Tax
1.	Distribution made by a fund other than equity oriented fund to an individual or a HUF	25%
2.	Distribution made by a fund other than equity oriented fund to a person other than an individual or a HUF	30%
3.	In case of an Infrastructure Debt Fund, intt. Payment made to NR investor	5%

Highlights of Budget, 2013

17 Section-40:-

- ❑ Any amount paid by way of fee, charges etc.,
- ❑ Which is levied exclusively on, or any amount, directly or indirectly,
- ❑ From a state undertaking,
- ❑ By the state government, shall not be allowed as deduction for the purpose of income under the head PGBP.
- ❑ applicable from 1.4.2013.

Highlights of Budget, 2013

18 Section-2(14):-

The following agriculture land shall form the part of capital asset if it is situated in any area within the local limits of any municipality or cantonment board referred to in clause (a) below and having population as referred to in clause (b) below in the table:

S.N.	Local limits of any Municipality or Cantonment Board (a)	Population (b)
1	upto 2 KM or	More than 10,000 but not exceeding 1 lakh
2	More than 2 KM but not more than 6 KM or	More than 1 lakh but not exceeding 10 lakhs
3	not more than 8 KM	More than 10 lakhs

- Applicable from 1.4.2013.

Highlights of Budget, 2013

19 Section-80GGB & 80GGC:- Contribution made to the Political Parties

- ❑ No deduction shall be allowed under sec 80GGB & 80GGC in respect of any sum contributed by way of cash.
- ❑ Applicable from 1.4.2013.

❑ Section-90 & 90A:- Tax Residency Certificate

- ❑ Submission of tax residency certificate is necessary but not sufficient for claiming benefits under sec. 90 & 90A.
- ❑ This amendment is retrospectively applicable from 1.4.2012.

Highlights of Budget, 2013

- **S. 80JJA-[Deduction for additional wages in certain cases]**
 - ❑ the deduction shall be available to an Indian Company deriving profits from manufacture of goods in its factory.
 - ❑ The deduction shall be of an amount equal to thirty per cent of additional wages paid to the new regular workmen employed by the assessee in such factory, in the previous year
 - ❑ for three assessment years including the assessment year relevant to the previous year in which such employment is provided.
 - ❑ It is also proposed to provide that the deduction under this section shall not be available if the factory is hived off or transferred from another existing entity or acquired by the assessee company as a result of amalgamation with another company
 - ❑ Applicable from 1.4.2013

Highlights of Budget, 2013

21 Section-132B:- Application of Seized Assets

- ❑ Existing liability does not include advance tax payable.
- ❑ Applicable from 1.6.2013.

❑ Section-139(9):-

- ❑ Return of Income shall be regarded as defective unless
the tax along with interest, if any, payable as per sec. 140A has been paid on or before the filing of return
- ❑ This amendment is applicable from 1.6.2013.

Highlights of Budget, 2013

23 Section-142(2A):-

- ❑ At any stage of the proceedings before the AO, having regard to the
 - ✓ Nature and complexity of the accounts,
 - ✓ Volume of the accounts,
 - ✓ Doubts about the correctness of the accounts,
 - ✓ Multiplicity of transaction in the accounts or
 - ✓ Specialized nature of business activity of the assessee, and
 - ✓ The interests of the revenue,

- ❑ Is of the opinion that it is necessary to do so , he may, with the prior approval of Chief Commissioner or the commissioner, Direct the assessee to get his accounts audited by an accountant and to furnish the report of such audit.

- ❑ Applicable from 1.6.2013.

Highlights of Budget, 2013

24 Section-153:-

- ❑ period commencing from the date on which the Assessing Officer directs the assessee to get his accounts audited under sub-section (2A) of section 142 and ending with the last date on which the assessee is required to furnish a report of such audit under that sub-section; or
- ❑ where such direction is challenged before a court, ending with the date on which the order setting aside such direction is received by the Commissioner, shall be excluded in computing the period of limitation for the purposes of section 153.
- ❑ period commencing from the date on which a reference or first of the references for exchange of information is made by an authority competent under an agreement referred to in section 90 or section 90A and ending with the date on which the information requested is last received by the Commissioner or a period of one year, whichever is less,
- ❑ shall be excluded in computing the period of limitation for the purposes of section 153.
- ❑ Applicable from 1.6.2013.

Highlights of Budget, 2013

25 Section-271FA:-

- ❑ person who is required to furnish an annual information return, under section 285BA(1),
- ❑ fails to furnish such return within the time prescribed under 285BA(2), the income-tax authority may direct such person to pay penalty of one hundred rupees for every day during which the failure continues.
- ❑ where such person fails to furnish the return within the period specified in the notice under section 285BA(5), he shall pay, penalty of five hundred rupees for every day during which the failure continues, beginning from the day immediately following the day on which the time specified in such notice for furnishing the return expires.
- ❑ Applicable from 1.4.2013.

Highlights of Budget, 2013

26 Section-36(viia):-

- ❑ For the purpose of the proviso to sec 36(1)(vii) & Sec 36(2)(v),
- ❑ Only one account as referred to therein is made in respect of Bad and doubtful debts under sec 36(1)(viia) and
- ❑ such account relates to all type of advances, including advances made by Rural branches.
- ❑ Therefore, for an assessee to which sec.36(1)(viia) applies, the amount of deduction in respect of the Bad Debts actually written off under sec.36(1)(viia) shall be limited to
- ❑ the amount by which such Bad Debts exceeds the credit balance in the prov. for bad and doubtful debts a/c made under sec.36(1)(viia) without any distinction between rural advances and other advances.
- ❑ Applicable from 1.4.2013.

Highlights of Budget, 2013

 Thank you